

Marquis, Renee T

From: Tucker, Shelby <SPARC@rbccm.com>
Sent: Monday, January 11, 2021 9:23 AM
To: Marquis, Renee T
Subject: [EXTERNAL] Essential Utilities (WTRG): Initiates 2021 guidance in line with RBC and consensus, reaffirms 2020 guidance, introduces voluntary emissions reductions goals (RBC SPARC)

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Essential Utilities (WTRG): Initiates 2021 guidance in line with RBC and consensus, reaffirms 2020 guidance, introduces voluntary emissions reductions goals

Sentiment Indicator : **positive**

Produced by Tucker, Shelby (RBC Capital Markets, LLC) on Monday, January 11, 2021, 09:18 AM ET

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Our view: WTRG introduced 2021 EPS guidance of \$1.64-\$1.69, in line with our estimate of \$1.68 and consensus of \$1.67. Management also reaffirmed its guidance to the upper end of its 2020 EPS range of \$1.53-\$1.58. WTRG announced its voluntary goal of reducing 60% of its Scope 1 and Scope 2 emissions by 2035 off 2019 levels, which applies to all its operations across gas, water and wastewater. On the guidance call today, we look forward to management's comments on DELCORA, updates on the proceeding for the catch-up portion of repair tax at Peoples, the timing of drawing down equity from its forward sale and the acquisition pipeline.

Essential Utilities (WTRG, Outperform, \$48.72) initiated 2021 EPS guidance of \$1.64-\$1.69 and reaffirmed its 2020 EPS guidance to the upper end of the \$1.53-\$1.58 range. We are at \$1.57.

DELCORA updates. Following the judge's ruling in December that upheld the validity of DELCORA's asset purchase agreement, WTRG expects a PA PUC Administrative Law Judge recommended decision in January and the DELCORA acquisition to close in the 2Q21.

Slight upward adjustments to capex and rate base. Estimated 2021 capex is \$1 billion, compared to the 2020 capex spend of \$950 million. The 2021-2023 capex plan stands at \$3 billion, an increase from the 2020-2022 plan of \$2.8 billion. This results in higher gas rate base estimates in 2021 and 2022 by \$100 million and a higher 2022 water rate base estimate by \$100 million. 2023 combined water and gas rate base is now estimated at \$9.8 billion. Water rate base is still expected to grow at a 6-7% CAGR, excluding acquisitions, and gas is expected to grow at a 8-10% CAGR.

Conference call today at 11:00am ET. Dial in at (800)-367-2403, passcode 1177890.

Company Name	Exchange	Ticker	Rating	Risk Qualifier	Price Target	Currency	Price	Price Date
Essential Utilities Inc	NYSE	WTRG US	Outperform	Not Assigned	49.00	US Dollar	48.72	11 Jan 2021 08:29:00 ET

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